

and it was not pleasant. I was picketed by people who had to be laid off from the State government. But we readjusted and managed to provide services our State needed and put the State back on a sound financial footing.

States all across the country are taking tough steps. There are areas where they have agreed to go without services to get their budget back in balance. Most States do not have the ability to run deficits. Those that do have the ability to do that should not be operating on the false assumption that the Federal taxpayers and our children and our grandchildren will come back in and be asked to take the irresponsible and unacceptable task of putting a burden on residents of the States that have made the tough decisions and cut spending to pay for the mounting debt of other States that have spent their way into the red for years.

In fact, a bailout of States would create a disincentive, an ongoing disincentive, for State leaders to make tough decisions and implement necessary reforms to get their budgets in balance and future liabilities under control.

The Missourians I hear from are very angry. They are angry every day at spending money on things that are too big to fail. They are angry that the government continues to use their hard-earned dollars to help companies such as AIG and potentially to help a country such as Greece, which failed, instead of paying down our debt and cutting the runaway spending.

This bailout mentality must end. I thought that was one message we were going to carry with this legislation. I hope this legislation actually does, although I am concerned there are provisions that could enable the Federal Government to continue bailing out and taking over more businesses.

The Federal Government must not continue to be an enabler of those companies or those countries or States that continue to spend beyond their means. It is time for the leadership at the State, as well as the national level, to make the decisions necessary to put all of us on a sound financial footing.

I thank Senator GREGG for his strong leadership on budget issues and for offering this amendment, and I urge my colleagues to support his amendment.

The PRESIDING OFFICER. The Senator from New Hampshire is recognized.

Mr. GREGG. Mr. President, first, let me thank the Senator from Missouri for his thoughtful and substantive discussion of this amendment. As a former Governor, I think he appreciates how tough it is to maintain balances in the State budget, and you have to make the very difficult decisions to make sure your State does not get its fiscal house into disarray and end up defaulting on debt. That would be the worst thing that could possibly happen if you were a Governor—or one of the worst things. In any event, he certainly did that when he was Governor. I tried to do that when I was Governor.

The PRESIDING OFFICER. The time of the Senator from New Hampshire has expired.

Mr. GREGG. Mr. President, I ask unanimous consent that after the Senator from Connecticut has used up the time that was originally allocated to him, the remaining time between now and 12:05 be divided equally between the two sides.

The PRESIDING OFFICER. Is there objection?

Without objection, it is so ordered.

Mr. GREGG. Mr. President, I ask unanimous consent to speak on that remaining time.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. GREGG. I think the Senator from Missouri has made a superb case that it is inappropriate to set up a structure where States can be profligate or communities can be profligate and then basically throw the problems they have created on the rest of the country and the taxpayers of the rest of the country—whether they are from New Mexico or Missouri or Connecticut or New Hampshire. There is no reason why our taxpayers should pay for inappropriate fiscal actions by some other State or some other community. Rather, those States and communities should have to straighten out their own financial house and not expect that they can come to the Federal Government for a bailout if their problems have been self-inflicted, created by their own failure to discipline their fiscal house.

As I said earlier in the discussion, a lot of States have a balanced budget amendment. I am not sure whether Missouri did—New Hampshire did not—but we understood if we did not run fiscally responsible budgets in New Hampshire, we would find our debt downgraded. That is what we were worried about—to get to the point where you might actually default, which would be, as I said, a totally terrible situation.

But in States that have balanced budget amendments, States which have worked very hard to keep their fiscal house in order, the taxpayers of those States should not have to suddenly step up and take care of the taxpayers of another State that has failed to do that. It is not fair. It is not equitable. You certainly do not want to create that atmosphere because if you have an atmosphere where one State can throw its problems on to every other State, then you create an incentive for States to be profligate and irresponsible.

AMENDMENT NO. 4051, AS MODIFIED

With those comments, Mr. President, I ask to modify my amendment. I believe the modification is at the desk.

Have we shared the modification with the Chairman?

Mr. DODD. I believe so.

I ask the Senator, this is the modification?

Mr. GREGG. Yes.

Mr. DODD. As I understand it, the modification is a new paragraph:

(d) Limitation.—Subsections (a) and (b) shall not apply to federal assistance provided in response to a natural disaster.

Is that right?

Mr. GREGG. That is correct.

The PRESIDING OFFICER. Is there objection?

Without objection, it will be so modified.

The amendment, as modified, is as follows:

On page 18, between lines 17 and 18, insert the following:

**SEC. 5. PROHIBITION ON THE USE OF FEDERAL FUNDS TO PAY STATE OBLIGATIONS.**

(a) IN GENERAL.—Notwithstanding any other provision of law, no Federal funds may be used to purchase or guarantee obligations of, issue lines of credit to or provide direct or indirect grants-and-aid to, any State government, municipal government, local government, or county government which has defaulted on its obligations, is at risk of defaulting, or is likely to default, absent such assistance from the United States Government.

(b) LIMIT ON USE OF BORROWED FUNDS.—The Secretary shall not, directly or indirectly, use general fund revenues or funds borrowed pursuant to title 31, United States Code, to purchase or guarantee any asset or obligation of any State government, municipal government, local government, or county government or to otherwise assist such governments, in any instance in which the State government, municipal government, or county government has defaulted on its obligations, is at risk of defaulting, or is likely to default, absent such assistance from the United States Government.

(c) LIMIT ON FEDERAL RESERVE FUNDS.—The Board of Governors shall not, directly or indirectly, lend against, purchase, or guarantee any asset or obligation of any State government, municipal government, local government, or county government or to otherwise assist such governments, in any instance in which the State government, municipal government, local government, or county government has defaulted on its obligations, is at risk of defaulting, or is likely to default, absent such assistance from the United States Government. Notwithstanding any other provision of law, no Federal funds may be used to pay the obligations of any State, or to issue a line of credit to any State.

(d) LIMITATION.—Subsections (a) and (b) shall not apply to Federal assistance provided in response to a natural disaster.

Mr. GREGG. A parliamentary question: Mr. President, don't I have the right to modify without asking for unanimous consent?

The PRESIDING OFFICER. There was a time limit on the amendment. That did require unanimous consent.

Mr. GREGG. I thank the Chair.

I reserve the remainder of my time.

The PRESIDING OFFICER. The Senator from Connecticut.

Mr. DODD. Mr. President, I ask unanimous consent that the time until 12:05 p.m. be divided for debate with respect to the Gregg amendment No. 4051, and that at 12:05 p.m., the Senate proceed to vote in relation to the amendment, with the provisions of the previous order remaining in effect.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. DODD. Mr. President, let me address this amendment, if I can.